



Senate

General Assembly

File No. 782

January Session, 2013

Substitute Senate Bill No. 620

Senate, May 9, 2013

The Committee on Appropriations reported through SEN. HARP of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING A PILOT PROGRAM TO AUDIT A MUNICIPALITY AND REQUIRING A UNIFORM SYSTEM OF ACCOUNTING FOR MUNICIPAL REVENUES AND EXPENDITURES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (*Effective July 1, 2013*) For the fiscal year commencing July
2 1, 2013, the Auditors of Public Accounts shall conduct a pilot program
3 to audit the budget and financial condition of one municipality with a
4 population equal to or less than thirty thousand. As part of such pilot
5 program, the auditors shall prepare a report of their review and make
6 recommendations for programmatic savings, efficiencies, financial
7 improvements and reforms for the selected municipality and shall
8 submit such report not later than February 5, 2014, to the joint standing
9 committees of the General Assembly having cognizance of matters
10 relating to planning and development, appropriations and finance,
11 revenue and bonding.

12 Sec. 2. (NEW) (*Effective from passage*) Not later than January 1, 2015,
13 the Secretary of the Office of Policy and Management shall, in

- 14 consultation with organizations that work with municipalities,
15 develop and implement a uniform system of accounting for municipal
16 revenues and expenditures.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2013</i>	New section
Sec. 2	<i>from passage</i>	New section

APP *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 14 \$	FY 15 \$
Auditors	GF - Cost	25,000- 150,000	None

Municipal Impact: None

Explanation

The bill requires the Auditors of Public Accounts to conduct an audit program in FY 14 to audit the budget and financial condition of a town of 30,000 or fewer.

There are two approaches to performing an audit of three cities: 1) hire additional full-time staff or 2) contract with a certified public accounting (CPA) firm to perform this work. As the bill requires the Auditors to conduct a pilot program and report on the program in the first year, it is anticipated that the Auditors would contract a Certified Public Accounting (CPA) firm to perform these audits.

The costs to audit a small town could range from \$25,000 - \$150,000. In 2000, the Auditors contracted a CPA firm to conduct a performance audit of the University of Connecticut Health Center at a cost of \$582,000.

The bill also requires the Office of Policy and Management (OPM) to develop and implement a uniform system of accounting for municipal revenues and expenditures. There is no fiscal impact under this requirement, as OPM is currently working towards implementation.

In December, 2012 the State Bond Commission allocated \$450,000 in new General Obligation bonds to OPM to develop a Uniform Chart of Accounts (UCOA) that will standardize the classification and reporting of financial data among all municipalities and Boards of Education. This would allow municipalities to more accurately compare the costs of programs and services.

It is anticipated that OPM will work with an external consultant, municipalities, and the State Department of Education (SDE) to develop the benchmarking system. PA 12-116, The Education Reform Act, authorizes SDE to develop and implement a chart of accounts to be used at the school and district level. For the fiscal year ending June 30, 2015, and each subsequent fiscal year, local boards of education are to implement UCOA by completing and filing annual financial reports with the SDE using the chart of accounts being developed with these bond funds.

The Out Years

There is no annualized ongoing fiscal impact as the cost identified above would terminate in FY 14.

OLR Bill Analysis**sSB 620*****AN ACT ESTABLISHING A PILOT PROGRAM TO AUDIT CERTAIN MUNICIPALITIES AND REQUIRING A UNIFORM SYSTEM OF ACCOUNTING FOR MUNICIPAL REVENUES AND EXPENDITURES.*****SUMMARY:**

This bill requires the Auditors of Public Accounts to conduct a pilot program in FY 14 to audit the budget and financial condition of a municipality with a population of 30,000 or fewer. The auditors must report on the pilot by February 5, 2014 to the Planning and Development; Appropriations; and Finance, Revenue, and Bonding committees. The report must contain recommendations for programmatic savings, efficiencies, financial improvements, and reforms for the municipality.

The bill also requires the Office of Policy and Management secretary to develop and implement, in consultation with organizations that work with municipalities, a uniform accounting system for municipal revenues and expenditures by January 1, 2015.

EFFECTIVE DATE: July 1, 2013, except the provision regarding the uniform accounting system is effective upon passage.

BACKGROUND***Legislative History***

The Senate referred the bill (File 559) to the Appropriations Committee, which reported a substitute that removed provisions requiring pilot audits in two additional municipalities, one each with a population of (1) between 30,001 and 75,000 and (2) more than 75,000.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 0 (04/02/2013)

Appropriations Committee

Joint Favorable Substitute

Yea 38 Nay 10 (04/30/2013)